

**REPORT OF THE AUDIT OF THE
MASON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
MASON COUNTY FISCAL COURT**

June 30, 2010

The Auditor of Public Accounts has completed the audit of the Mason County Fiscal Court for fiscal year ended June 30, 2010.

We have issued unqualified opinions on the governmental activities, business-type activities, and each major fund of Mason County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$21,272,836 as of June 30, 2010. The fiscal court had unrestricted net assets of \$2,431,710 in its governmental activities as of June 30, 2010, with total net assets of \$10,321,775. In its business-type activities, total net cash and cash equivalents were \$4,012,339 with total net assets of \$10,951,061. The fiscal court had total debt principal as of June 30, 2010 of \$6,527,309 with \$579,828 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable James L. Gallenstein, Mason County Judge/Executive
Members of the Mason County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Mason County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Mason County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Mason County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Mason County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
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In accordance with Government Auditing Standards, we have also issued our report dated May 3, 2011 on our consideration of Mason County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

May 3, 2011

MASON COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

James L. Gallenstein	County Judge/Executive
Patrick McKay IV	Commissioner
F. J. Finn	Commissioner
Donald Tumey	Commissioner

Other Elected Officials:

John Estill	County Attorney
Gerald Curtis	Jailer
Frances Cotterill	County Clerk
Kirk Tolle	Circuit Court Clerk
Patrick Boggs	Sheriff
Troy Cracraft	Property Valuation Administrator
Robert Brothers	Coroner

Appointed Personnel:

Kim Muse	County Treasurer
Megan Davenport	Finance Officer
Don Christy	Interim Road Supervisor
Amy Asher	Deputy Judge/Executive

Other Key Personnel:

Jack Fultz	EMS Director
Roger Mullikin	Animal Control Officer

MASON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

MASON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,552,381	\$ 4,012,339	\$ 6,564,720
Total Current Assets	<u>2,552,381</u>	<u>4,012,339</u>	<u>6,564,720</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,587,376	620,842	2,208,218
Construction In Progress	24,837	2,736,285	2,761,122
Buildings and Improvements	7,070,465	3,368,724	10,439,189
Vehicles	432,693	277,213	709,906
Equipment	883,989	1,458,159	2,342,148
Furniture and Office Equipment	245,170	544	245,714
Infrastructure	<u>2,529,128</u>		<u>2,529,128</u>
Total Noncurrent Assets	<u>12,773,658</u>	<u>8,461,767</u>	<u>21,235,425</u>
Total Assets	<u>15,326,039</u>	<u>12,474,106</u>	<u>27,800,145</u>
LIABILITIES			
Current Liabilities:			
Revenue Bonds	365,000		365,000
Financing Obligations	<u>22,141</u>	<u>185,760</u>	<u>207,901</u>
Total Current Liabilities	<u>387,141</u>	<u>185,760</u>	<u>572,901</u>
Noncurrent Liabilities:			
Revenue Bonds	4,390,000		4,390,000
Financing Obligations	<u>227,123</u>	<u>1,337,285</u>	<u>1,564,408</u>
Total Noncurrent Liabilities	<u>4,617,123</u>	<u>1,337,285</u>	<u>5,954,408</u>
Total Liabilities	<u>5,004,264</u>	<u>1,523,045</u>	<u>6,527,309</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	7,769,394	6,938,722	14,708,116
Restricted	120,671	3,096,387	3,217,058
Unrestricted	<u>2,431,710</u>	<u>915,952</u>	<u>3,347,662</u>
Total Net Assets	<u>\$ 10,321,775</u>	<u>\$ 10,951,061</u>	<u>\$ 21,272,836</u>

The accompanying notes are an integral part of the financial statements.

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MASON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

MASON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,880,030	\$ 459,969	\$ 319,909	\$
Protection to Persons and Property	2,100,470	1,153,658	139,282	249,325
General Health and Sanitation	180,758			
Social Services	36,513	23,984		
Recreation and Culture	136,069			
Roads	703,946	16,985	1,253,426	
Airports	8,000			
Bus Services	11,848			
Road Facilities	21,524			
Interest on Long-Term Debt	195,603			
Total Governmental Activities	6,274,761	1,654,596	1,712,617	249,325
Business-type Activities:				
Landfill Operations	1,845,081	2,416,591		
Garbage Collections	278,833	327,536		
Solid Waste Operations	285,759	132,274		
Jail Commissary	265,716	249,533		
Total Business-type Activities	2,675,389	3,125,934		
Total Primary Government	\$ 8,950,150	\$ 4,780,530	\$ 1,712,617	\$ 249,325
General Revenues:				
Taxes:				
Real Property Taxes				
Personal Property Taxes				
Motor Vehicle Taxes				
Franchise Taxes				
Insurance Premium Taxes				
Other Taxes				
In Lieu of Taxes				
Excess Fees				
Telephone Commissions				
Reimbursements				
Miscellaneous Revenues				
Off Track Betting Commissions				
Other Receipts				
Interest				
Transfers In/Transfer Out				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning (Restated)				
Net Assets - Ending				

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,100,152)	\$	\$ (2,100,152)
(558,205)		(558,205)
(180,758)		(180,758)
(12,529)		(12,529)
(136,069)		(136,069)
566,465		566,465
(8,000)		(8,000)
(11,848)		(11,848)
(21,524)		(21,524)
(195,603)		(195,603)
<u>(2,658,223)</u>		<u>(2,658,223)</u>
	571,510	571,510
	48,703	48,703
	(153,485)	(153,485)
	<u>(16,183)</u>	<u>(16,183)</u>
	<u>450,545</u>	<u>450,545</u>
<u>(2,658,223)</u>	<u>450,545</u>	<u>(2,207,678)</u>
1,229,639		1,229,639
349,960		349,960
135,120		135,120
584,138		584,138
494,487		494,487
42,581		42,581
38,860		38,860
141,912		141,912
79,210		79,210
496,841		496,841
35,669	2,663	38,332
8,978		8,978
	1,942,211	1,942,211
7,259	31,745	39,004
<u>(160,000)</u>	<u>160,000</u>	
<u>3,484,654</u>	<u>2,136,619</u>	<u>5,621,273</u>
<u>826,431</u>	<u>2,587,164</u>	<u>3,413,595</u>
<u>9,495,344</u>	<u>8,363,897</u>	<u>17,859,241</u>
<u>\$ 10,321,775</u>	<u>\$ 10,951,061</u>	<u>\$ 21,272,836</u>

The accompanying notes are an integral part of the financial statements.

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MASON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

MASON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	State Grants Fund
ASSETS					
Cash and Cash Equivalents	\$ 1,892,266	\$ 132,160	\$ 221,320	\$ 45,871	\$ 11,401
Total Assets	<u>1,892,266</u>	<u>132,160</u>	<u>221,320</u>	<u>45,871</u>	<u>11,401</u>
FUND BALANCES					
Reserved for:					
Escrow Accounts	1,536				
Grant Expenditures					11,401
Debt Service					
Unreserved:					
General Fund	1,890,730				
Special Revenue Funds		132,160	221,320	45,871	
Debt Service Fund					
Total Fund Balances	<u>\$ 1,892,266</u>	<u>\$ 132,160</u>	<u>\$ 221,320</u>	<u>\$ 45,871</u>	<u>\$ 11,401</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 2,552,381
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	19,218,646
Accumulated Depreciation	(6,444,988)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Revenue Bonds	(4,755,000)
Financing Obligations	<u>(249,264)</u>
Net Assets Of Governmental Activities	<u>\$ 10,321,775</u>

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2010
(Continued)

Federal Grants Fund	Public Properties Corporation	Total Governmental Funds
\$ 24	\$ 249,339	\$ 2,552,381
24	249,339	2,552,381
		1,536
24		11,425
	107,710	107,710
		1,890,730
		399,351
	141,629	141,629
\$ 24	\$ 249,339	\$ 2,552,381

The accompanying notes are an integral part of the financial statements.

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MASON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

MASON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 2,835,831	\$	\$	\$
In Lieu Tax Payments	38,860			
Excess Fees	141,912			
Licenses and Permits	41,698			
Intergovernmental	320,003	960,120	1,179,117	293,306
Charges for Services	15,345	16,985	113,822	
Miscellaneous	431,406	79,767	115,323	70,280
Interest	5,516	288	555	345
Total Revenues	<u>3,830,571</u>	<u>1,057,160</u>	<u>1,408,817</u>	<u>363,931</u>
EXPENDITURES				
General Government	1,071,591			86,895
Protection to Persons and Property	161,027		1,450,234	51,008
General Health and Sanitation	51,597			42,375
Social Services	4,618			31,895
Recreation and Culture	7,480			116,161
Roads		860,484		47,815
Airports				8,000
Bus Services	11,848			
Road Facilities		21,524		
Debt Service	52,243			
Capital Projects	24,837			
Administration	880,709	178,601	516,755	31,656
Total Expenditures	<u>2,265,950</u>	<u>1,060,609</u>	<u>1,966,989</u>	<u>415,805</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,564,621</u>	<u>(3,449)</u>	<u>(558,172)</u>	<u>(51,874)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	432,193		825,000	25,000
Transfers To Other Funds	(1,370,106)		(168,209)	(21,765)
Total Other Financing Sources (Uses)	<u>(937,913)</u>		<u>656,791</u>	<u>3,235</u>
Net Change in Fund Balances	626,708	(3,449)	98,619	(48,639)
Fund Balances - Beginning	1,265,558	135,609	122,701	94,510
Fund Balances - Ending	<u>\$ 1,892,266</u>	<u>\$ 132,160</u>	<u>\$ 221,320</u>	<u>\$ 45,871</u>

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

State Grants Fund	Federal Grants Fund	Public Properties Corporation Fund	Total Governmental Funds
\$	\$	\$	\$ 2,835,831
			38,860
			141,912
			41,698
	249,325		3,001,871
			146,152
		350,832	1,047,608
		555	7,259
	<u>249,325</u>	<u>351,387</u>	<u>7,261,191</u>
			1,158,486
	145,213		1,807,482
			93,972
			36,513
			123,641
			908,299
			8,000
			11,848
			21,524
		580,035	632,278
			24,837
		120	1,607,841
	<u>145,213</u>	<u>580,155</u>	<u>6,434,721</u>
	<u>104,112</u>	<u>(228,768)</u>	<u>826,470</u>
	127,752	222,328	1,632,273
	(232,193)		(1,792,273)
	<u>(104,441)</u>	<u>222,328</u>	<u>(160,000)</u>
	(329)	(6,440)	666,470
11,401	353	255,779	1,885,911
<u>\$ 11,401</u>	<u>\$ 24</u>	<u>\$ 249,339</u>	<u>\$ 2,552,381</u>

The accompanying notes are an integral part of the financial statements.

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MASON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

MASON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ 666,470
<p>Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of those Assets are allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	498,616
Depreciation Expense	(770,281)
Assets Disposed Of, Net Book Value	(5,049)
Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources.	
Revenue Bonds	350,000
Financing Obligations	<u>86,675</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 826,431</u></u>

The accompanying notes are an integral part of the financial statements.

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MASON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

MASON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

Business-Type Activities					
	Landfill Fund	Garbage Collections Fund	Solid Waste Fund	Jail Commissary Fund	Totals
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 3,713,793	\$ 226,698	\$ 60,563	\$ 11,285	\$ 4,012,339
Total Current Assets	<u>3,713,793</u>	<u>226,698</u>	<u>60,563</u>	<u>11,285</u>	<u>4,012,339</u>
Noncurrent Assets:					
Capital Assets:					
Land and Land Improvements	620,842				620,842
Construction In Progress	2,736,285				2,736,285
Buildings and Improvements	4,479,640		186,340		4,665,980
Vehicles	396,761		48,070	39,285	484,116
Equipment	2,506,691	13,875	233,336	29,135	2,783,037
Furniture and Office Equipment	24,255				24,255
Less Accumulated Depreciation	(2,540,320)	(5,241)	(255,596)	(51,591)	(2,852,748)
Total Noncurrent Assets	<u>8,224,154</u>	<u>8,634</u>	<u>212,150</u>	<u>16,829</u>	<u>8,461,767</u>
Total Assets	<u>11,937,947</u>	<u>235,332</u>	<u>272,713</u>	<u>28,114</u>	<u>12,474,106</u>
Liabilities					
Current Liabilities:					
Financing Obligations Payable	185,760				185,760
Total Current Liabilities	<u>185,760</u>				<u>185,760</u>
Noncurrent Liabilities:					
Financing Obligations Payable	1,337,285				1,337,285
Total Noncurrent Liabilities	<u>1,337,285</u>				<u>1,337,285</u>
Total Liabilities	<u>1,523,045</u>				<u>1,523,045</u>
Net Assets					
Invested in Capital Assets,					
Net of Related Debt	6,701,109	8,634	212,150	16,829	6,938,722
Restricted	3,086,940			9,447	3,096,387
Unrestricted	626,853	226,698	60,563	1,838	915,952
Total Net Assets	<u>\$ 10,414,902</u>	<u>\$ 235,332</u>	<u>\$ 272,713</u>	<u>\$ 28,114</u>	<u>\$ 10,951,061</u>

The accompanying notes are an integral part of the financial statements.

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MASON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

MASON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities				Totals
	Landfill Fund	Garbage Collections Fund	Solid Waste Fund	Jail Commissary Fund	
Operating Revenues					
Tipping Fees	\$ 2,065,599				2,065,599
Roll-Off Container Receipts	199,306				199,306
Kentucky Environmental Remediation Fees	104,707				104,707
Garbage Collection Fees		327,536			327,536
Recycling Receipts			132,274		132,274
Commissary Receipts				249,533	249,533
State Grants	46,979				46,979
Other Receipts	1,932,006		9,952	253	1,942,211
Total Operating Revenues	4,348,597	327,536	142,226	249,786	5,068,145
Operating Expenses					
Cost of Sales			31,033	68,548	99,581
Recreational, Vocational and Medical				3,168	3,168
Booking Fees				113,639	113,639
Garbage Collection Payments		71,468			71,468
Personnel Costs	625,762	151,085	150,843	6,000	933,690
Advertising	2,550		1,774		4,324
Contractual Services	6,596		1,788		8,384
Engineering Services	8,206				8,206
Rentals	3,651				3,651
Towing	500		295		795
Storage and Hauling			8,248		8,248
Solid Waste Enforcement	3,432				3,432
Building Maintenance Supplies	403		667		1,070
Custodial Supplies	761		869		1,630
Machinery and Equipment	4,564	1,270	588		6,422
Machinery and Equipment Parts	44,188		7,533		51,721
Office Supplies	3,828	2,402	74		6,304
Leachate Maintenance	11,200				11,200
Books and Periodicals	74				74
Petroleum Products	169,167	30,853	12,411		212,431
Materials and Supplies	9,250	3,597	5,575		18,422
Tools	251				251
Tubes and Tires	12,644		3,195		15,839
Uniforms	1,829		1,428		3,257
Groundwater Testing	48,949				48,949
Licenses and Permits	1,302				1,302
Waste Tire and Oil Operation	17,090				17,090
Memberships	261				261
Reimbursements	2,603	328			2,931
Staff Training and Conventions	5,824				5,824
Renewals and Repairs	1,828		142		1,970

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
PROPRIETARY FUND – MODIFIED CASH BASIS
For The Year Ended June 30, 2010

	Business-Type Activities				
	Landfill Fund	Garbage Collections Fund	Solid Waste Fund	Jail Commissary Fund	Totals
Operating Expenses (continued)					
Telephone	\$ 4,362	\$ 1,705	\$ 711	\$	\$ 6,778
Utilities	22,798		8,328		31,126
Landfill Equipment and Repairs	52,677				52,677
Building Maintenance and Repairs			4,996		4,996
Vehicle Maintenance and Repairs		13,947	10,002		23,949
Landfill Safety	849				849
Improvements	6,549				6,549
Roll-Off Containers - Parts and Supplies	3,237				3,237
Roll-Off Containers - Equipment Repairs	5,619				5,619
Landfill Gas System Maintenance	59,731				59,731
Landfill Gas Utilization	9,659				9,659
Landfill Gas Collection System	24,155				24,155
Landfill Gas Collection - Closure	276				276
Phase IV & V Liner - Engineering	84,537				84,537
Phase IV & V Liner - Parts and Supplies	1,107				1,107
Landfill Engineering FGD	70,301				70,301
Landfill FGD Construction Materials	3,674				3,674
Insurance	22,028		5,174		27,202
Kentucky Environmental Remediation Payments	96,491				96,491
Ohio Dumping Generation Payment	1,657				1,657
Depreciation Expense	299,820	2,178	30,007	9,529	341,534
Miscellaneous	205		78	264	547
Total Operating Expenses	1,756,445	278,833	285,759	201,148	2,522,185
Operating Income (Loss)	2,592,152	48,703	(143,533)	48,638	2,545,960
Nonoperating Revenues (Expenses)					
Interest Income	31,208	511		26	31,745
Interest Expense	(82,636)				(82,636)
Loss on Sale of Asset	(6,000)				(6,000)
Inmate Pay From State				2,663	2,663
Inmate Refunds				(64,568)	(64,568)
Total Nonoperating Revenues (Expenses) Before Transfers	(57,428)	511		(61,879)	(118,796)
Transfers From Other Funds	200,000		160,000		360,000
Transfers To Other Funds	(200,000)				(200,000)
Net Transfers			160,000		160,000
Change In Net Assets	2,534,724	49,214	16,467	(13,241)	2,587,164
Total Net Assets - Beginning (Restated)	7,880,178	186,118	256,246	41,355	8,363,897
Total Net Assets - Ending	\$ 10,414,902	\$ 235,332	\$ 272,713	\$ 28,114	\$ 10,951,061

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

MASON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities				
	Landfill Fund	Garbage Collections Fund	Solid Waste Fund	Jail Commissary Fund	Totals
Cash Flows From Operating Activities					
Receipts From Customers	\$ 2,416,591	\$ 327,536	\$ 132,274	\$ 249,533	\$ 3,125,934
Other Receipts	1,932,006		9,952	253	1,942,211
Insurance	(22,028)		(5,174)		(27,202)
Utilities	(27,160)	(1,705)	(9,181)		(38,046)
Repairs and Maintenance	(194,247)	(15,217)	(23,119)		(232,583)
Fuel and Oil	(169,167)	(30,853)	(12,411)		(212,431)
Materials and Supplies	(16,315)	(5,999)	(15,359)		(37,673)
Tires and Tubes	(12,644)		(3,195)		(15,839)
Equipment Rental	(3,651)				(3,651)
Professional Services	(172,190)				(172,190)
Other Operating Expenses	(201,179)	(71,796)	(5,359)		(278,334)
Cost of Sales			(31,033)	(68,812)	(99,845)
Recreational, Vocational and Medical				(3,168)	(3,168)
Booking Fees				(113,639)	(113,639)
Personnel Costs	(625,762)	(151,085)	(150,843)	(6,000)	(933,690)
Miscellaneous	(12,282)		(78)		(12,360)
Net Cash Provided By Operating Activities	<u>2,891,972</u>	<u>50,881</u>	<u>(113,526)</u>	<u>58,167</u>	<u>2,887,494</u>
Cash Flows From Noncapital Financing Activities					
Inmate Pay From State				2,663	2,663
Inmate Refunds on Accounts				(64,568)	(64,568)
Transfers From Other Funds	200,000		160,000		360,000
Transfers To Other Funds	(200,000)				(200,000)
Net Cash Provided By Noncapital Financing Activities			<u>160,000</u>	<u>(61,905)</u>	<u>98,095</u>
Cash Flows From Capital and Related Financing Activities					
Loan Proceeds	300,000				300,000
Principal Paid on Financing Obligations	(637,704)				(637,704)
Interest Paid on Financing Obligations	(82,636)				(82,636)
Capital Assets Purchased	(1,362,368)	(5,746)	(19,360)		(1,387,474)
Net Cash (Used) Provided By Capital and Related Financing Activities	<u>(1,782,708)</u>	<u>(5,746)</u>	<u>(19,360)</u>		<u>(1,807,814)</u>

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

	Business-Type Activities				
	Landfill Fund	Garbage Collections Fund	Solid Waste Fund	Jail Commissary Fund	Totals
Cash Flows From Investing Activities					
Interest Earned	\$ 31,208	\$ 511	\$	\$ 26	\$ 31,745
Net Cash Provided By Investing Activities	31,208	511		26	31,745
Net Increase (Decrease) in Cash and Cash Equivalents	1,140,472	45,646	27,114	(3,712)	1,209,520
Cash and Cash Equivalents - July 1, 2009	2,573,321	181,052	33,449	14,997	2,802,819
Cash and Cash Equivalents - June 30, 2010	<u>\$ 3,713,793</u>	<u>\$ 226,698</u>	<u>\$ 60,563</u>	<u>\$ 11,285</u>	<u>\$ 4,012,339</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 2,592,152	\$ 48,703	\$ (143,533)	\$ 48,638	\$ 2,545,960
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities					
Depreciation Expense	299,820	2,178	30,007	9,529	341,534
Net Cash Provided By Operating Activities	<u>\$ 2,891,972</u>	<u>\$ 50,881</u>	<u>\$ (113,526)</u>	<u>\$ 58,167</u>	<u>\$ 2,887,494</u>

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

MASON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	<u>Agency Funds</u>	
	<u>Employee Christmas Club Account</u>	<u>Health Reimbursement Account</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 11,361	\$ 1,713
Total Assets	<u>11,361</u>	<u>1,713</u>
Liabilities		
Amounts Held In Custody For Others	<u>11,361</u>	<u>1,713</u>
Total Liabilities	<u>11,361</u>	<u>1,713</u>
Net Assets		
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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MASON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Mason County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

The Mason County Fiscal Court appoints the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended with Mason County's financial statements. All activities of the Public Properties Corporation are accounted for within a major (debt service) fund.

C. Mason County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Mason County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Mason County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance (LGEA) Fund - The purpose of this fund is to account for protection to persons and properties expenses of the county. The primary sources of revenues for this fund are coal impact and mineral severance payments from the state government. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

State Grants Fund - The purpose of this fund is to account for expenditures funded by state grants.

Federal Grants Fund - The purpose of this fund is to account for expenditures funded by federal grants.

Public Properties Corporation Fund - This fund is used to account for the activity of the Mason County Public Properties Corporation (MCPPC), a blended component unit. Revenues and expenditures of this fund are generally restricted for specific purposes, such as issuance of debt for construction projects. The Department for Local Government does not require the fiscal court to report or budget these funds. However, the Mason County Treasurer does report and budget these funds.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, and Federal Grants Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Commissary Fund, charges to customers for tipping fees in the Landfill Fund and Solid Waste Fund, and charges to customers for garbage collection services in the Garbage Collections Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The government reports the following major proprietary funds:

Jail Commissary Fund - The commissary operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

Landfill Fund - The primary purpose of this fund is to account for the activities of the landfill. The primary sources of revenue for this fund are charges to customers for tipping fees.

Garbage Collections Fund - The primary purpose of this fund is to account for the activities of the garbage collections service. The primary source of revenue for this fund is monthly customer charges for services.

Solid Waste Fund - The primary purpose of this fund is to account for activities related to solid waste management at the recycling center. The county buys items such as cardboard and aluminum that can be recycled, and then sells these items to various businesses.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Employees' Christmas Club. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Employees' Christmas Club - Accounts for funds withheld from employees' gross wages and deposited in the bank until the employee chooses to withdraw the funds.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 1	
Depreciable Land Improvements	\$ 2,500	10-60
Buildings	\$ 2,500	10-75
Buildings and Building Improvements	\$ 2,500	5-75
Machinery and Equipment	\$ 2,500	3-25
Furniture and Fixtures	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 2,500	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Mason County Fiscal Court: Western Mason Water District and Western Lewis-Rectorville Water District.

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating government. The jointly governed organization can act independently of each of the participating governments. Based upon these criteria, the following are considered jointly governed organizations of the Mason County Fiscal Court: Mason County-City of Maysville Tourism Commission, Mason County-City of Maysville Industrial Development, Mason County-City of Maysville Parks and Recreation, Mason County-City of Maysville Ambulance Service, Mason County-City of Maysville Planning and Zoning Commission, Mason County-City of Maysville E-911, and the Fleming-Mason Airport.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D).. According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Interfund Transfers

Total Governmental Transfers From Other Funds	\$ 1,632,273	
Total Business-Type Transfers From Other Funds	<u>360,000</u>	
Total Transfers From Other Funds		<u>\$ 1,992,273</u>
Total Governmental Transfers To Other Funds	1,792,273	
Total Business-Type Transfers To Other Funds	<u>200,000</u>	
Total Transfers To Other Funds		<u>\$ 1,992,273</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,587,376	\$	\$	\$ 1,587,376
Construction In Progress		24,837		24,837
Total Capital Assets Not Being Depreciated	1,587,376	24,837		1,612,213
Capital Assets, Being Depreciated:				
Buildings and Improvements	10,560,341			10,560,341
Vehicles	1,106,131	21,789	(34,461)	1,093,459
Equipment	1,809,313	74,686	(7,393)	1,876,606
Furniture and Office Equipment	580,920		(3,630)	577,290
Infrastructure	3,121,433	377,304		3,498,737
Total Capital Assets Being Depreciated	17,178,138	473,779	(45,484)	17,606,433
Less Accumulated Depreciation For:				
Buildings and Improvements	(3,223,371)	(266,505)		(3,489,876)
Vehicles	(608,183)	(84,344)	31,761	(660,766)
Equipment	(859,960)	(137,812)	5,155	(992,617)
Furniture and Office Equipment	(300,508)	(35,131)	3,519	(332,120)
Infrastructure	(723,120)	(246,489)		(969,609)
Total Accumulated Depreciation	(5,715,142)	(770,281)	40,435	(6,444,988)
Total Capital Assets, Being Depreciated, Net	11,462,996	(296,502)	(5,049)	11,161,445
Government Activities Capital Assets, Net	\$ 13,050,372	\$ (271,665)	\$ (5,049)	\$ 12,773,658

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 113,703
Protection to Persons and Property	319,114
General Health and Sanitation	86,786
Recreation and Culture	12,428
Roads, Including Depreciation of General Infrastructure Assets	<u>238,250</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 770,281</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Capital Assets (Continued)

Capital asset activity for Business-Type Activities for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 620,842	\$	\$	\$ 620,842
Construction In Progress	1,492,204	1,244,081		2,736,285
Total Capital Assets Not Being Depreciated	2,113,046	1,244,081		3,357,127
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,665,980			4,665,980
Vehicles	474,216	9,900		484,116
Equipment	2,670,544	133,493	(21,000)	2,783,037
Furniture and Office Equipment	24,255			24,255
Total Capital Assets Being Depreciated	7,834,995	143,393	(21,000)	7,957,388
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,154,092)	(143,164)		(1,297,256)
Vehicles	(170,233)	(36,670)		(206,903)
Equipment	(1,179,048)	(160,830)	15,000	(1,324,878)
Furniture and Office Equipment	(22,841)	(870)		(23,711)
Total Accumulated Depreciation	(2,526,214)	(341,534)	15,000	(2,852,748)
Total Capital Assets, Being Depreciated, Net	5,308,781	(198,141)	(6,000)	5,104,640
Business -Type Activities Capital Assets, Net	\$ 7,421,827	\$ 1,045,940	\$ (6,000)	\$ 8,461,767

Depreciation expense was charged to functions if the primary government as follows:

<u>Business-Type Activities</u>	
Landfill Fund	\$ 299,820
Garbage Collection Fund	2,178
Solid Waste Fund	30,007
Jail Commissary Fund	9,529
Total Depreciation Expense - Business-Type Activities	<u>\$ 341,534</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Short-term Debt

In October 2009, Mason County Fiscal Court entered into a \$300,000 loan agreement with Bank of Maysville for the purpose of paying for additional expenses on the Landfill construction project. The loan has a variable rate not to exceed 4% with one payment due on June 30, 2010. The loan was paid in full as of June 30, 2010.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities</u>					
Financing Obligations	\$	\$ 300,000	\$ 300,000	\$	\$
Business-type Activities					
Short-term Liabilities	\$ 0	\$ 300,000	\$ 300,000	\$ 0	\$ 0

Note 6. Long-term Debt

A. First Mortgage Refunding Revenue Bonds, Series 1998

In February 1998, Mason County Public Properties Corporation issued \$1,880,000 first mortgage refunding revenue bonds for the purpose of paying the outstanding principal and interest of the Mason County Public Properties Corporation first mortgage revenue bonds, Series 1991. Principal payments are due each year on June 1, in the amounts indicated below. Interest on the bonds is payable each June 1, and December 1. The total principal balance was \$330,000 as of June 30, 2010. Future principal and interest requirements are:

	Governmental Activities	
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 15,180	\$ 160,000
2012	7,820	170,000
	<u>\$ 23,000</u>	<u>\$ 330,000</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Long-term Debt (Continued)

B. First Mortgage Refunding Revenue Bonds, Series 2007

In March 2007, Mason County Public Properties Corporation issued \$4,910,000 first mortgage revenue refunding bonds for the purpose of paying the outstanding principal and interest of the Mason County Public Properties Corporation first mortgage revenue bonds, Series 1999. Principal payments are due each year on March 1, starting March 1, 2008, in the amounts indicated below. Interest on the bonds is payable each September 1, and March 1. The total principal balance is \$4,425,000 as of June 30, 2010. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 170,362	\$ 205,000
2012	162,470	210,000
2013	154,385	220,000
2014	145,915	230,000
2015	137,060	235,000
2016 - 2020	541,887	1,330,000
2021 - 2025	263,533	1,630,000
2026	14,052	365,000
	<u>\$ 1,589,664</u>	<u>\$ 4,425,000</u>

C. Financing Obligation

In December 1998, Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District (BTADD), for rehabilitation of housing for the elderly. The note was for \$42,000 with an interest rate of 2.00% per annum. Principal and interest are to be repaid in twenty equal, consecutive annual installments of \$2,569, commencing on September 30, 2000, and continuing annually thereafter on the 30th day of September until the maturity date on September 30, 2019. The total principal balance was \$21,776 as of June 30, 2010. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 461	\$
2012	419	2,149
2013	376	2,192
2014	332	2,236
2015	288	2,281
2016 - 2020	736	12,918
	<u>\$ 2,612</u>	<u>\$ 21,776</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Long-term Debt (Continued)

D. Financing Obligation

In March 1999, Mason County Public Properties Corporation entered into a note with Kentucky Housing Corporation, for rehabilitation of housing for the elderly. The note was for \$135,366 with an interest rate of 2.00% per annum. Principal and interest are to be repaid in twenty equal, consecutive annual installments of \$8,279, commencing on July 1, 2000, and continuing annually thereafter on the first day of July until the maturity date on July 1, 2019. One extra payment was made in fiscal year ended June 30, 2010, therefore a payment is not due in fiscal year ending June 30, 2010. The total principal balance was \$66,191 as of June 30, 2010. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$	\$
2012	1,351	6,927
2013	1,213	7,066
2014	1,072	7,207
2015	927	7,351
2016 - 2020	2,370	37,640
	<u>\$ 6,933</u>	<u>\$ 66,191</u>

E. Financing Obligation

On August 15, 2006, Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District (BTADD), for Phase II housing for the elderly. The note was for \$20,000 with an interest rate of 3.00% per annum. The agreement requires annual payments of principal and interest on August 15 of each year. The total principal balance was \$17,642 as of June 30, 2010. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 547	\$ 474
2012	533	488
2013	518	503
2014	503	518
2015	488	533
2016 - 2020	2,189	2,916
2021 - 2025	1,724	3,381
2026 - 2030	1,186	3,919
2031 - 2035	562	4,543
2036	29	367
	<u>\$ 8,279</u>	<u>\$ 17,642</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Long-term Debt (Continued)

F. Financing Obligation

On March 1, 2006, Mason County Fiscal Court entered into a lease agreement with Kentucky Housing Corporation for rehabilitation of housing for the elderly. The lease was for \$136,000 with an interest rate of 3.50% per annum. Principal and interest are to be repaid in thirty equal, consecutive annual installments of \$7,328, commencing on August 1, 2006 and ending on August 1, 2036. The total principal outstanding as of June 30, 2010, was \$124,989. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 4,327	\$ 3,002
2012	4,220	3,108
2013	4,109	3,219
2014	3,995	3,333
2015	3,876	3,452
2016 - 2020	17,451	19,192
2021 - 2025	13,786	22,856
2026 - 2030	9,422	27,220
2031 - 2035	4,225	32,416
2036	137	7,191
	<u>\$ 65,548</u>	<u>\$ 124,989</u>

G. Financing Obligation

On June 2, 2006, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase 2 Packer trucks for collection of garbage. The lease was for \$192,000 at an interest rate of 4.25% per annum. Interest payments were due semi-annually on July 1 and January 1 of each fiscal year. Principal payments were due annually by January 1. As of June 30, 2010, the principal balance was paid in full.

H. Financing Obligation

On November 28, 2006, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase a dump truck. The lease is for \$73,665 at an interest rate of 3.54% per annum. Interest payments are due by the 20th of each month. Principal payments are due annually by January 20. The principal outstanding as of June 30, 2010, was \$18,665. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 597	\$ 18,665
	<u>\$ 597</u>	<u>\$ 18,665</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Long-term Debt (Continued)

I. Financing Obligation

In June 1996, Mason County Fiscal Court entered into a \$1,500,000 lease agreement with Fifth Third Bank for landfill construction. The agreement requires a semi-annual payment of \$74,906, which includes 5.67 percent interest through and including June 1, 2001, and thereafter for each succeeding five year period at a rate equal to the five year interest rate for U.S. Treasury Obligations, as published by the lessor's treasury department, plus 227 basis points multiplied by .65, as calculated on June 1, 2001, and June 1, 2006. The principal balance outstanding as of June 30, 2010 was \$32,701. Future principal and interest requirements are:

Business - Type Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 688	\$ 32,701
	<u>\$ 688</u>	<u>\$ 32,701</u>

J. Financing Obligation

In September 2004, Mason County Fiscal Court entered into a \$400,000 lease agreement with Fifth Third Bank for Phase III Landfill Construction. The agreement requires a semi-annual principal and interest payments due March and September of each year. Interest payments are based on an interest rate equal to 3.95% through and including September 1, 2009. Thereafter and for the succeeding three-year period, the interest rate shall be a rate equal to the three years U.S. Swap Rate as published by the lessor's treasury department, plus 250 basis points multiplied by .65, plus .25% as calculated on September 1, 2009. The principal balance outstanding as of June 30, 2009 was \$166,665. Future principal and interest requirements are:

Business - Type Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 5,925	\$ 66,670
2012	3,292	66,670
2013	658	33,325
	<u>\$ 9,875</u>	<u>\$ 166,665</u>

K. Financing Obligation

On June 2, 2006, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase 2 roll-off trucks for the landfill. The lease was for \$128,000 at an interest rate of 4.25% per annum. Interest payments were due semi-annually on July 1 and January 1 of each fiscal year. Principal payments were due annually by January 1. As of June 30, 2010, the principal balance was paid in full.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Long-term Debt (Continued)

L. Financing Obligation

On October 22, 2007, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase 17 roll-off containers for the landfill. The lease is for \$50,000 at an interest rate of 4.68% per annum. Interest payments are due by the 20th of each month. Principal payments are due annually by July 20. The principal outstanding as of June 30, 2010 was \$20,000. Future principal and interest requirements are:

Business - Type Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 86	\$ 20,000
	<u>\$ 86</u>	<u>\$ 20,000</u>

M. Financing Obligation

On August 18, 2009, Mason County Fiscal Court entered into a lease agreement with Fifth Third Bank for Landfill Phase IV and Phase V construction. The agreement requires semi-annual payment of \$60,329, which includes 4.5% interest through and including July 15, 2013, and thereafter for each succeeding five-year period at a rate equal to the five-year interest rate for US Treasury Obligations, as published by the lessor's treasury department, plus 227 basis points multiplied by .65, as calculated on July 15, 2013 and July 15, 2018. The principal balance outstanding as of June 30, 2010 was \$1,204,828. Future principal and interest requirements are:

Business - Type Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 54,269	\$ 66,389
2012	51,205	69,452
2013	48,137	72,520
2014	44,654	76,003
2015	41,147	79,511
2016-2020	147,483	455,983
2021-2024	<u>36,048</u>	<u>384,970</u>
	<u>\$ 422,943</u>	<u>\$ 1,204,828</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Long-term Debt (Continued)

N. Financing Obligation

On November 24, 2008, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase a Mack roll-off truck for the landfill. The lease is for \$125,500 at an interest rate of 3.841% per annum. Interest payments are due by the 20th of each month. Two principal payments are due in November 2011 and November 2012. The principal outstanding as of June 30, 2010 was \$98,851. Future principal and interest requirements are:

Business - Type Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2011	\$ 4,235	\$
2012	3,059	50,000
2013	925	48,851
	<u>\$ 8,219</u>	<u>\$ 98,851</u>

O. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Refunding Revenue Bonds, 1998 Series	\$ 485,000		\$ 155,000	\$ 330,000	\$ 160,000
Refunding Revenue Bonds, 2007 Series	4,620,000		195,000	4,425,000	205,000
Financing Obligations	<u>335,939</u>		<u>86,675</u>	<u>249,264</u>	<u>22,141</u>
Governmental Activities Long-term Liabilities	<u>\$ 5,440,939</u>	<u>\$ 0</u>	<u>\$ 436,675</u>	<u>\$ 5,004,264</u>	<u>\$ 387,141</u>
<u>Business-Type Activities:</u>					
Financing Obligations	<u>\$ 1,860,749</u>	<u>\$</u>	<u>\$ 337,704</u>	<u>\$ 1,523,045</u>	<u>\$ 185,760</u>
Governmental Activities Long-term Liabilities	<u>\$ 1,860,749</u>	<u>\$ 0</u>	<u>\$ 337,704</u>	<u>\$ 1,523,045</u>	<u>\$ 185,760</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2008 was \$611,913, FY 2009 was \$548,379, and FY 2010 was \$619,114.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

Mason County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 8. Deferred Compensation (Continued)

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2010, Mason County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Landfill Closure and Post-Closure Care

KAR 48:310 Sections 2 and 3 require the owner or operator of a landfill to have a detailed written estimate, in current dollars, of the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan.

Through an inter-local agreement with the City of Maysville, the Mason County Fiscal Court manages the operation and accounts for the Maysville-Mason County Landfill. The landfill consists of two landfill cells and residual landfill:

- 1) The old 21.5-acre residual cell that was capped in fiscal years ending 2001/2002 for \$1,318,003. Kentucky regulators approved the construction certification on August 8, 2002. Post-closure care costs are estimated at \$218,400.
- 2) The new 41.0-acre contained cell has been operational since January 30, 1997. As of June 30, 2010, 70% of this cell's capacity had been used. The estimated closure cost for this cell is \$1,200,000 with estimated post-closure costs of \$35,000 a year for two years and \$23,000 a year for thirty years.
- 3) The residual landfill is for Dayton Power and Light (DP&L). DP&L is responsible for all closure costs for this cell. DP&L has paid the Maysville-Mason County Landfill \$1,085,984, which has been put into various CD's and savings accounts, for the estimated closure costs.

Mason County is required to collect and segregate fifteen (15) percent of gross receipts of the landfill and account for it in a restricted Landfill Closure Fund. The balance maintained for the landfill closure as of June 30, 2010 was \$2,285,984. The City of Maysville and Mason County Fiscal Court will jointly fund post-closure costs.

The estimates above are based on information as of the audit date and can be altered based on inflation/deflation, technology, laws, and regulations.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 11. Subsequent Events

On July 1, 2010, Mason County Fiscal Court entered into a short-term loan arrangement with Bank of Maysville to pay for construction costs at the Landfill. The loan is \$250,000 at 4.25% interest. One payment of \$260,596 is due on June 30, 2011.

Note 12. Related Party Transactions

The Judge/Executive's son-in-law is a licensed veterinarian and owner of Colonial Heights Veterinary Clinic. For fiscal year ended June 30, 2010, fiscal court requested bids for euthanasia services for the animal shelter. Colonial Heights Veterinary Clinic's bid was the only bid submitted and was therefore awarded the bid. Mason County Fiscal Court paid a total of \$11,041 to Colonial Heights Veterinary Clinic during fiscal year ended June 30, 2010. This related party transaction has previously been presented to the Mason County Code of Ethics Committee and they found no breach of the Mason County Code of Ethics.

Commissioner Pat McKay's brother is the owner of Limestone Produce which occasionally sells produce to the Mason County Detention Center. During fiscal year ended June 30, 2010, fiscal court paid \$1,809 to Limestone Produce.

Note 13. Prior Period Adjustments

Governmental Funds

Net Assets - Beginning decreased \$696 due to a change in the outstanding debt balances and increased \$29,749 due to corrections/changes on the capital asset listing. The net effect of these adjustments is an increase of \$29,053.

Business-Type Activities

Total Net Assets - Beginning for the Landfill Fund increased \$1,649 due to a change in the outstanding debt balances and \$1 due to rounding. The total adjustment is \$1,650.

Total Net Assets - Beginning for the Solid Waste Fund decreased \$1 due to rounding.

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,540,000	\$ 2,540,000	\$ 2,835,831	\$ 295,831
In Lieu Tax Payments	38,700	38,700	38,860	160
Excess Fees	49,503	49,503	141,912	92,409
Licenses and Permits	44,200	44,200	41,698	(2,502)
Intergovernmental Revenue	443,600	443,600	320,003	(123,597)
Charges for Services	5,000	5,000	15,345	10,345
Miscellaneous	250,000	250,000	431,406	181,406
Interest	3,000	3,000	5,516	2,516
Total Revenues	3,374,003	3,374,003	3,830,571	456,568
EXPENDITURES				
General Government	1,197,989	1,245,661	1,071,591	174,070
Protection to Persons and Property	207,100	235,900	161,027	74,873
General Health and Sanitation	67,310	59,527	51,597	7,930
Social Services	10,000	10,000	4,618	5,382
Recreation and Culture	85,500	85,500	7,480	78,020
Bus Services	20,000	20,000	11,848	8,152
Debt Service	83,000	103,000	52,243	50,757
Capital Projects	100,000	100,000	24,837	75,163
Administration	1,118,104	978,203	880,709	97,494
Total Expenditures	2,889,003	2,837,791	2,265,950	571,841
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	485,000	536,212	1,564,621	1,028,409
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			432,193	432,193
Transfers To Other Funds	(1,385,000)	(1,385,000)	(1,370,106)	14,894
Total Other Financing Sources (Uses)	(1,385,000)	(1,385,000)	(937,913)	447,087
Net Changes in Fund Balance	(900,000)	(848,788)	626,708	1,475,496
Fund Balance - Beginning	900,000	900,000	1,265,558	365,558
Fund Balance - Ending	\$ 0	\$ 51,212	\$ 1,892,266	\$ 1,841,054

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 778,500	\$ 778,500	\$ 960,120	\$ 181,620
Charges for Services	500	500	16,985	16,485
Miscellaneous	5,500	5,500	79,767	74,267
Interest	100	100	288	188
Total Revenues	<u>784,600</u>	<u>784,600</u>	<u>1,057,160</u>	<u>272,560</u>
EXPENDITURES				
Roads	770,100	893,100	860,484	32,616
Debt Service	43,740	22,240	21,524	716
Administration	320,760	219,260	178,601	40,659
Total Expenditures	<u>1,134,600</u>	<u>1,134,600</u>	<u>1,060,609</u>	<u>73,991</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(350,000)</u>	<u>(350,000)</u>	<u>(3,449)</u>	<u>346,551</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>275,000</u>	<u>275,000</u>		<u>(275,000)</u>
Total Other Financing Sources (Uses)	<u>275,000</u>	<u>275,000</u>		<u>(275,000)</u>
Net Changes in Fund Balance	(75,000)	(75,000)	(3,449)	71,551
Fund Balance - Beginning	<u>75,000</u>	<u>75,000</u>	<u>135,609</u>	<u>60,609</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 132,160</u>	<u>\$ 132,160</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts,	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,174,600	\$ 1,174,600	\$ 1,179,117	\$ 4,517
Charges for Services	105,500	105,500	113,822	8,322
Miscellaneous	120,800	120,800	115,323	(5,477)
Interest	300	300	555	255
Total Revenues	<u>1,401,200</u>	<u>1,401,200</u>	<u>1,408,817</u>	<u>7,617</u>
EXPENDITURES				
Protection to Persons and Property	1,376,089	1,517,454	1,450,234	67,220
Debt Service	168,500	168,500		168,500
Administration	831,611	690,246	516,755	173,491
Total Expenditures	<u>2,376,200</u>	<u>2,376,200</u>	<u>1,966,989</u>	<u>409,211</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(975,000)</u>	<u>(975,000)</u>	<u>(558,172)</u>	<u>416,828</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	875,000	875,000	825,000	(50,000)
Transfers To Other Funds			(168,209)	168,209
Total Other Financing Sources (Uses)	<u>875,000</u>	<u>875,000</u>	<u>656,791</u>	<u>218,209</u>
Net Changes in Fund Balance	(100,000)	(100,000)	98,619	198,619
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>122,701</u>	<u>22,701</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 221,320</u>	<u>\$ 221,320</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 350,000	\$ 350,000	\$ 293,306	\$ (56,694)
Miscellaneous	71,000	71,000	70,280	(720)
Interest	50	50	345	295
Total Revenues	421,050	421,050	363,931	(57,119)
EXPENDITURES				
General Government	139,000	88,783	86,895	1,888
Protection to Persons and Property	43,744	54,162	51,008	3,154
General Health and Sanitation	28,600	43,000	42,375	625
Social Services	47,500	37,210	31,895	5,315
Recreation and Culture	79,500	127,500	116,161	11,339
Roads	40,000	47,815	47,815	
Airports	7,500	8,000	8,000	
Debt Service	21,000	22,309		22,309
Administration	64,206	42,271	31,656	10,615
Total Expenditures	471,050	471,050	415,805	55,245
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(50,000)	(50,000)	(51,874)	(1,874)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	25,000	25,000	25,000	
Transfers To Other Funds			(21,765)	21,765
Total Other Financing Sources (Uses)	25,000	25,000	3,235	21,765
Net Changes in Fund Balances	(25,000)	(25,000)	(48,639)	(23,639)
Fund Balances - Beginning	25,000	25,000	94,510	69,510
Fund Balances - Ending	\$ 0	\$ 0	\$ 45,871	\$ 45,871

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ 50,000	\$ 50,000	\$	\$ (50,000)
Total Revenues	50,000	50,000		(50,000)
EXPENDITURES				
General Health and Sanitation	2,250	2,250		2,250
Total Expenditures	2,250	2,250		2,250
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	47,750	47,750		(47,750)
Net Changes in Fund Balances	47,750	47,750		(47,750)
Fund Balances - Beginning	2,250	2,250	11,401	9,151
Fund Balances - Ending	\$ 50,000	\$ 50,000	\$ 11,401	\$ (38,599)

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ 100,000	\$ 100,000	\$ 249,325	\$ 149,325
Total Revenues	100,000	100,000	249,325	149,325
EXPENDITURES				
Protection to Persons and Property	100,000	145,213	145,213	
Administration	900	900		900
Total Expenditures	100,900	146,113	145,213	900
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(900)	(46,113)	104,112	150,225
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			127,752	127,752
Transfers To Other Funds			(232,193)	(232,193)
Total Other Financing Sources (Uses)			(104,441)	(104,441)
Net Changes in Fund Balances	(900)	(46,113)	(329)	45,784
Fund Balances - Beginning	900	900	353	(547)
Fund Balances - Ending	\$ 0	\$ (45,213)	\$ 24	\$ 45,237

MASON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James L. Gallenstein, Mason County Judge/Executive
Members of the Mason County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mason County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated May 3, 2011. Mason County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mason County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mason County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mason County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Mason County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

May 3, 2011

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

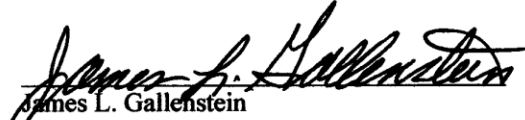
MASON COUNTY FISCAL COURT

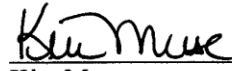
**For The Fiscal Year Ended
June 30, 2010**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MASON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Mason County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


James L. Gallenstein
County Judge/Executive


Kim Muse
County Treasurer

